

ORIGINAL



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A Touchstone Energy[®] Cooperative



March 30, 2016

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: TIER and DSC Report Per Docket: E-01461A-07-0433, Decision No. 75120

Please find the enclosed summary report titled Trico Electric Cooperative ("Trico") RUS FORM 7 2015 Audited Financials December 31, 2015 Compliance Report Decision No. 75120, and a copy of the final year-end audit report.

Trico is filing this report to comply with Decision No. 75120 to show that Trico meets the required TIER and DSC ratios at the end of December 2015.

The summary report shows that Trico's TIER meets the 1.25 ratio that the Commission required in its decision by earning a 3.15 TIER for year-end 2015, and an average 3.08 TIER as calculated under the RUS methodology. Trico also met the required DSC requirement of 1.25 by earning a 2.41 DSC for year-end 2015, and an average 2.37 DSC as calculated under the RUS methodology.

Please contact me at the information below if you have any questions.

Sincerely,

Brian Fickett
Manager, Finance and Accounting
Trico Electric Cooperative, Inc.
520-744-2944 x 1369

Arizona Corporation Commission
DOCKETED

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Trico Electric Cooperative, Inc.
RUS FORM 7 2015 Audited Financials
December 31, 2015
Compliance Report Decision No. 75120

	2013	2014	2015
REVENUE			
1 Operating Revenue and Patronage Capital	\$ 87,083,256	\$ 87,155,687	\$ 85,486,841
COST OF POWER			
2 Cost of Purchased Power-Energy	\$ 42,615,315	\$ 44,316,415	\$ 41,252,606
3 Cost of Purchased Power-Transmission	\$ 9,341,693	\$ 7,329,743	\$ 8,488,809
4 Power Production	\$ (5,243)	\$ 29,067	\$ 8,701
5 Total Fuel Costs	\$ 51,951,765	\$ 51,675,225	\$ 49,750,116
6 Gross Margin (Revenue-Fuel Costs)	\$ 35,131,491	\$ 35,480,462	\$ 35,736,725
TRICO DISTRIBUTION COSTS			
7 Distribution Expense - Operations	\$ 7,676,894	\$ 8,200,654	\$ 6,359,152
8 Distribution Expense - Maintenance	\$ 1,769,326	\$ 1,760,940	\$ 1,907,758
9 Customer Accounts Expense	\$ 2,580,887	\$ 2,431,189	\$ 2,489,827
10 Customer Service & Information Expense	\$ 347,232	\$ 347,586	\$ 341,392
11 Sales Expense	\$ 338,825	\$ 306,765	\$ 349,029
12 Administrative & General Expense	\$ 5,009,460	\$ 5,324,461	\$ 5,284,606
13 Total Trico Variable Operating Expenses	\$ 17,722,624	\$ 18,371,595	\$ 16,731,764
FIXED OPERATING EXPENSES			
14 Depreciation & Amortization Expense	\$ 6,503,112	\$ 6,559,506	\$ 6,702,381
15 Tax Expense - Property & Gross Receipts	\$ -	\$ -	\$ -
16 Tax Expense - Other	\$ (38)	\$ 3	\$ (8)
17 Interest on Long-Term Debt	\$ 5,154,823	\$ 4,966,587	\$ 4,798,958
18 Interest Charged to Construction - Credit	\$ -	\$ -	\$ -
19 Interest Expense - Other	\$ 3,182	\$ 2,364	\$ 2,376
20 Other Deductions	\$ 205,320	\$ 966,265	\$ 570,541
21 Total Fixed Operating Expenses	\$ 11,866,399	\$ 12,494,725	\$ 12,074,248
22 Total Costs of Electric Service	\$ 81,540,788	\$ 82,541,545	\$ 78,556,128
23 Patronage Capital & Operating Margins	\$ 5,542,468	\$ 4,614,141	\$ 6,930,713
24 Non-Operating Margins - Interest	\$ 163,339	\$ 198,590	\$ 209,121
25 Allowance for Funds Used During Construction	\$ -	\$ -	\$ -
26 Income (Loss) from Equity Investments	\$ -	\$ -	\$ -
27 Non-Operating Margins - Other	\$ 80,069	\$ 114,633	\$ 75,621
28 Generation and Transmission Capital Credits	\$ 3,044,663	\$ 4,552,806	\$ 2,648,286
29 Other Capital Credits & Patronage Dividends	\$ 259,992	\$ 464,817	\$ 452,683
30 Patronage Capital or Margins	\$ 9,090,531	\$ 9,944,988	\$ 10,316,424
31 Operating TIER Ratio	2.08	1.93	2.44
32 TIER Ratio	2.76	3.00	3.15
33 Average TIER (average of two highest in three years)			3.08
34 Operating DSC Ratio	1.93	1.80	2.04
35 DSC Ratio	2.32	2.38	2.41
36 Average DSC (average of two highest in three years)			2.37

ARIZONA 20 PIMA

TRICO ELECTRIC COOPERATIVE, INC.

MARANA, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 20 PIMA
TRICO ELECTRIC COOPERATIVE, INC.
MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Trico Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income and patronage capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trico Electric Cooperative, Inc. as of December 31, 2015 and 2014, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of Trico Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trico Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 11, 2016

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

ASSETS

	December 31,	
	2015	2014
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 235,256,056	\$ 228,660,020
Electric Plant Held for Future Use	166,341	166,341
Construction Work in Progress	7,485,651	5,223,645
	\$ 242,908,048	\$ 234,050,006
Less: Accumulated Provision for Depreciation	73,681,225	68,654,139
	\$ 169,226,823	\$ 165,395,867
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 40,167,433	\$ 37,544,230
Other Investments	76,113	98,916
	\$ 40,243,546	\$ 37,643,146
CURRENT ASSETS		
Cash - General	\$ 4,218,182	\$ 6,213,382
Temporary Cash Investments	2,500,000	2,000,000
Accounts Receivable (Less allowance for uncollectibles of \$722,093 in 2015 and \$751,831 in 2014)	4,685,513	4,852,406
Materials and Supplies at Average Cost	3,827,553	2,971,375
Other Current and Accrued Assets	1,290,760	1,252,384
	\$ 16,522,008	\$ 17,289,547
DEFERRED CHARGES	\$ 4,230,233	\$ 4,602,413
TOTAL ASSETS	\$ 230,222,610	\$ 224,930,973

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 91,091,927	\$ 82,553,634
Other Equities	6,908,652	6,866,873
	\$ 98,000,579	\$ 89,420,507
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 10,851,304	\$ 14,401,997
FFB Mortgage Notes Less Current Maturities	50,949,258	47,393,552
CFC Mortgage Notes Less Current Maturities	29,179,079	30,128,923
CoBank Mortgage Notes Less Current Maturities	22,295,291	22,903,298
	\$ 113,274,932	\$ 114,827,770
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 4,345,000	\$ 4,318,000
Accounts Payable - Purchased Power	3,956,231	3,081,163
Accounts Payable - Other	1,308,440	1,277,074
Power Cost Adjustment - Overbilled	1,069,197	1,500,869
Consumer Deposits	1,808,232	1,698,679
Accrued Taxes	1,266,603	2,140,417
Accrued Interest	128,177	135,046
Accrued Employee Compensated Absences	1,572,535	1,524,725
Other Current and Accrued Liabilities	185,975	541,864
	\$ 15,640,390	\$ 16,217,837
DEFERRED CREDITS	\$ 3,255,912	\$ 4,388,421
PENSION RESERVES - Deferred Compensation	\$ 50,797	\$ 76,438
TOTAL EQUITIES AND LIABILITIES	\$ 230,222,610	\$ 224,930,973

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Years Ended December 31,				
	2015		2014		Increase (Decrease)
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 55,828,866	65.3	\$ 58,178,607	66.9	\$ (2,349,741)
Irrigation	71,581	0.1	96,998	0.1	(25,417)
Commercial and Industrial	27,435,117	32.1	28,606,294	32.8	(1,171,177)
Public Buildings and Other Authorities	99,899	0.1	99,755	0.1	144
Sales for Resale	56,802	0.1	132,075	0.2	(75,273)
Power Cost Adjustment	431,672	0.5	(1,556,638)	(1.8)	1,988,310
Rent from Electric Property	336,583	0.4	377,396	0.4	(40,813)
Other Electric Revenue	1,226,322	1.4	1,221,200	1.4	5,122
Total Operating Revenues	<u>\$ 85,486,842</u>	<u>100.0</u>	<u>\$ 87,155,687</u>	<u>100.0</u>	<u>\$ (1,668,845)</u>
OPERATING EXPENSES					
Purchased Power	\$ 49,708,573	58.1	\$ 51,586,301	59.2	\$ (1,877,728)
Transmission	41,544	0.0	88,924	0.1	(47,380)
Distribution - Operation	6,359,152	7.4	8,200,654	9.4	(1,841,502)
Distribution - Maintenance	1,907,758	2.2	1,760,940	2.0	146,818
Customer Accounts	2,489,827	2.9	2,431,189	2.8	58,638
Customer Service and Information	690,420	0.8	654,351	0.8	36,069
Administrative and General	5,284,606	6.2	5,324,461	6.1	(39,855)
Depreciation	6,702,381	7.8	6,559,506	7.5	142,875
Other Deductions	572,909	0.7	968,631	1.1	(395,722)
Total Operating Expenses	<u>\$ 73,757,170</u>	<u>86.1</u>	<u>\$ 77,574,957</u>	<u>89.0</u>	<u>\$ (3,817,787)</u>
OPERATING MARGINS - Before Fixed Charges	\$ 11,729,672	13.9	\$ 9,580,730	11.0	\$ 2,148,942
FIXED CHARGES					
Interest on Long-Term Debt	<u>4,798,958</u>	<u>5.6</u>	<u>4,966,587</u>	<u>5.7</u>	<u>(167,629)</u>
OPERATING MARGINS - After Fixed Charges	\$ 6,930,714	8.3	\$ 4,614,143	5.3	\$ 2,316,571
Capital Credits	<u>3,100,969</u>	<u>3.6</u>	<u>5,017,623</u>	<u>5.8</u>	<u>(1,916,654)</u>
NET OPERATING MARGINS	<u>\$ 10,031,683</u>	<u>11.9</u>	<u>\$ 9,631,766</u>	<u>11.1</u>	<u>\$ 399,917</u>
NONOPERATING MARGINS					
Interest Income	\$ 209,122	0.2	\$ 198,591	0.2	\$ 10,531
Other Nonoperating Income	75,621	0.1	114,633	0.1	(39,012)
	<u>\$ 284,743</u>	<u>0.3</u>	<u>\$ 313,224</u>	<u>0.3</u>	<u>\$ (28,481)</u>
NET MARGINS	<u>\$ 10,316,426</u>	<u>12.2</u>	<u>\$ 9,944,990</u>	<u>11.4</u>	<u>\$ 371,436</u>
PATRONAGE CAPITAL - Beginning of Year	82,553,634		74,190,419		
Patronage Capital Retired	<u>(1,778,133)</u>		<u>(1,581,775)</u>		
PATRONAGE CAPITAL - End of Year	<u>\$ 91,091,927</u>		<u>\$ 82,553,634</u>		

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 10,316,426	\$ 9,944,990
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	7,246,685	7,018,025
Capital Credits	(2,795,617)	(4,578,492)
Deferred Charges	372,180	503,697
Deferred Credits	(1,158,150)	(996,388)
Accounts Receivable	166,893	(455,379)
Inventories and Prepaid Expenses	(894,554)	(241,897)
Payables and Accrued Expenses	(604,447)	1,160,432
Net Cash Provided by Operating Activities	\$ 12,649,416	\$ 12,354,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (10,848,926)	\$ (6,735,250)
Salvage Value of Retirements and Other Credits	260,273	431,581
Plant Removal Costs	(488,988)	(136,867)
Other Property and Investments	195,217	8,852
Net Cash Used in Investing Activities	\$ (10,882,424)	\$ (6,431,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from FFB	\$ 5,500,000	\$ 2,700,000
Payments on Long-Term Debt to RUS	(3,695,693)	(4,310,257)
Payments on Long-Term Debt to FFB	(1,770,294)	(1,613,065)
Payments on Long-Term Debt to CFC	(977,844)	(951,647)
Payments on Long-Term Debt to CoBank	(582,007)	(553,680)
Retirement of Patronage Capital	(1,778,133)	(1,581,775)
Other Equities	41,779	37,022
Net Cash Used in Financing Activities	\$ (3,262,192)	\$ (6,273,402)
DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,495,200)	\$ (350,098)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,213,382	8,563,480
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,718,182	\$ 8,213,382
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 4,801,072	\$ 4,968,583
Income Taxes	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Trico Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Tucson Electric Power and Arizona Electric Power Cooperative, which Trico is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

The Cooperative records electric revenues as billed to consumers based upon meter readings obtained throughout the month. Revenue is not accrued for power delivered but not billed at the end of each month. The Cooperative's tariffs for electric service include power cost adjustment clauses under which electric rates are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, power cost to be billed in subsequent periods is recognized as accounts receivable, and power cost to be refunded in subsequent periods is reflected as a liability.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative has delivered power for usage which has not yet been billed. The unbilled revenue, net of base power cost, is estimated to be \$1,088,000, and \$1,294,000 as of December 31, 2015 and 2014, respectively. The Cooperative does not record unbilled revenue at the end of each month. A new accounting pronouncement scheduled to become effective in 2018 will likely result in the Cooperative recognizing the power delivered but not billed at the end of each period on the financial statements. Management is currently assessing the potential dollar impact of this new pronouncement.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates. At the end of each year the Cooperative receives an estimated allocation from its G & T power supply cooperative. In accordance with the USOA, the Cooperative records this estimated amount as income. Any differences between the estimated amounts and actual final allocations are recorded in the following years. For the years ended 2015 and 2014, the actual final allocations were recorded.

The G & T patronage income recognized for the 2015 and 2014 years are as follows:

	December 31,	
	2015	2014
Final Allocation for 2014	\$ 2,648,286	\$
Final Allocation for 2013		4,552,806
	<u>\$ 2,648,286</u>	<u>\$ 4,552,806</u>

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and temporary cash investments are treated as cash and cash equivalents.

Concentration of Credit Risk

The Cooperative's headquarters facility is located in Marana, Arizona. The service area includes members located in a three county area surrounding the city of Tucson. The Cooperative records a receivable for electric revenue as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2015 and 2014, deposits on hand totaled \$1,808,232 and \$1,698,679, respectively. Although the Cooperative maintains its bank deposits in institutions that are insured by an agency of the federal government, deposits at times exceed insured amounts.

Uncertain Tax Positions

The Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

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TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2012.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2015 and 2014.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Assets Pledged

All assets are pledged as security for the long-term debt due RUS, FFB, National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2015	2014
Intangible Plant	\$ 1,180	\$ 1,180
Other Production Plant	271,751	265,847
Transmission Plant	3,440,006	3,440,006
Distribution Plant	208,193,064	202,167,926
General Plant	23,350,055	22,785,061
Total Electric Plant in Service	\$ 235,256,056	\$ 228,660,020
Electric Plant Held for Future Use	166,341	166,341
Construction Work in Progress	7,485,651	5,223,645
Total Electric Plant in Service	<u>\$ 242,908,048</u>	<u>\$ 234,050,006</u>

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	2.75%
Distribution Plant	3.00%
Structures and Improvements	2.00% - 7.00%
Office Furniture and Fixtures	5.00% - 50.00%
Transportation Equipment	3.30% - 20.00%
Store Equipment	5.00% - 10.00%
Tools, Shop, and Garage Equipment	4.00% - 33.33%
Laboratory Equipment	5.00% - 20.00%
Power Operated Equipment	5.00% - 33.00%
Communication Equipment	5.00% - 33.33%
Miscellaneous General Plant	5.00% - 20.00%

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Depreciation for the years ended December 31, 2015 and 2014, was \$7,246,685 and \$7,018,025, respectively, of which \$6,702,381 and \$6,559,506 was charged to depreciation expense, and \$544,304 and \$458,519 were allocated to other accounts.

4. Other Property and Investments

Other property and investments consisted of the following as of December 31, 2015 and 2014:

	December 31,	
	2015	2014
CFC		
Capital Term Certificates	\$ 1,117,042	\$ 1,124,547
Patronage Capital	623,584	561,549
Membership	1,000	1,000
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	30,639,065	29,216,392
Southwest Transmission Cooperative, Inc.		
Patronage Capital	7,027,673	5,987,075
Other	835,182	752,583
	<u>\$ 40,243,546</u>	<u>\$ 37,643,146</u>

5. Temporary Investments – At Cost

	December 31,	
	2015	2014
AEPCO Note Participation Program	<u>\$ 2,500,000</u>	<u>\$ 2,000,000</u>

6. Materials and Supplies

Materials and supplies consisted of:

	December 31,	
	2015	2014
Construction Materials and Supplies	\$ 3,655,401	\$ 2,909,576
Transportation Supplies	4,753	5,922
Merchandise	120,116	
Fuel	47,283	55,877
	<u>\$ 3,827,553</u>	<u>\$ 2,971,375</u>

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

7. Deferred Charges

Deferred charges consisted of:

	December 31,	
	2015	2014
NRECA Retirement Program Prepayment	\$ 3,797,103	\$ 4,271,741
Preliminary Survey and Investigation	222,611	286,080
Other	210,519	44,592
	<u>\$ 4,230,233</u>	<u>\$ 4,602,413</u>

In 2013, the Cooperative approved and funded a prepayment of \$4,746,379 in the National Rural Electric Cooperative Association (NRECA) R&S plan in return for future anticipated discounted contributions. The prepayment is being amortized over a ten year period.

8. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 42.57% of the total assets at the balance sheet date. The Cooperative retired \$1,778,133 and \$1,581,775 of patronage capital during 2015 and 2014, respectively.

9. Patronage Capital

	December 31,	
	2015	2014
Assigned	\$ 80,775,501	\$ 72,608,644
Assignable	10,316,426	9,944,990
Balance	<u>\$ 91,091,927</u>	<u>\$ 82,553,634</u>

10. Other Equities

	December 31,	
	2015	2014
Retired Capital Credits - Gain	\$ 340,986	\$ 299,207
Donated Capital	4,484,682	4,484,682
Gain on Sale of Property	2,082,984	2,082,984
	<u>\$ 6,908,652</u>	<u>\$ 6,866,873</u>

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

11. Mortgage Notes – RUS

Long-term debt due RUS is represented by 35-year mortgage notes payable to the United States of America. Following is a summary of long-term debt due RUS and maturing at various times between 2021 and 2039:

	December 31,	
	2015	2014
4.62% Notes	\$ 2,544,250	\$ 2,645,468
5.00% Notes	6,289,816	9,655,057
5.12% Notes	2,766,676	2,870,699
5.50% Notes	1,433,091	1,499,037
5.75% Notes	1,255,471	1,314,736
Cushion of Credit	(2,500,000)	(2,500,000)
	\$ 11,789,304	\$ 15,484,997
Less: Current Maturities	938,000	1,083,000
	<u>\$ 10,851,304</u>	<u>\$ 14,401,997</u>

Principal and interest installments on the above notes are due in quarterly and monthly amounts. As of December 31, 2015, annual maturities of long-term debt due RUS for the next five years are as follows:

2016	\$ 938,000
2017	987,000
2018	1,038,000
2019	1,092,000
2020	1,149,000

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

12. Mortgage Notes - FFB

Following is a summary of long-term debt due FFB and maturing at various times between 2023 and 2042:

	December 31,	
	2015	2014
4.360% Notes	\$ 1,826,172	\$ 1,861,016
3.623% Notes	901,698	921,084
3.499% Notes	1,349,522	1,379,116
4.004% Notes	2,269,282	2,315,168
4.283% Notes	1,367,915	1,394,347
3.638% Notes	13,331,922	13,748,159
3.119% Notes	2,748,753	2,812,769
2.558% Notes	8,967,679	9,235,191
2.100% Notes	4,568,307	4,715,232
2.406% Notes	2,769,735	2,855,250
1.449% Notes	3,437,212	3,867,990
3.249% Notes	1,280,602	1,315,862
3.088% Notes	2,574,887	2,647,368
2.541% Notes	2,555,193	
2.496% Notes	2,849,379	
	<u>\$ 52,798,258</u>	<u>\$ 49,068,552</u>
Less: Current Maturities	<u>1,849,000</u>	<u>1,675,000</u>
	<u>\$ 50,949,258</u>	<u>\$ 47,393,552</u>

The Cooperative has \$25,429,000 available in unadvanced loan funds at December 31, 2015.

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2015, annual maturities of long-term debt due FFB for the next five years are as follows:

2016	\$ 1,849,000
2017	1,917,000
2018	1,972,000
2019	2,018,000
2020	2,073,000

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

13. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2016 to 2040:

	December 31,	
	2015	2014
2.70% - 4.40% Notes	\$ 23,608,785	\$ 24,123,969
6.04% Notes		79,425
6.18% Notes	414,500	483,210
6.22% Notes	1,225,192	1,331,499
6.25% Notes	2,473,484	2,556,937
6.26% Notes	2,407,118	2,531,883
	\$ 30,129,079	\$ 31,106,923
Less: Current Maturities	950,000	978,000
	<u>\$ 29,179,079</u>	<u>\$ 30,128,923</u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2015, annual maturities of long-term debt due CFC for the next five years are as follows:

2016	\$ 950,000
2017	1,005,000
2018	1,061,000
2019	1,120,000
2020	1,184,000

14. Mortgage Notes – CoBank

Following is a summary of long-term debt due CoBank and maturing in 2039:

	December 31,	
	2015	2014
4.220% Note	\$ 22,903,291	\$ 23,485,298
	\$ 22,903,291	\$ 23,485,298
Less: Current Maturities	608,000	582,000
	<u>\$ 22,295,291</u>	<u>\$ 22,903,298</u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2015, annual maturities of long-term debt due CoBank for the next five years are as follows:

2016	\$ 608,000
2017	643,000
2018	676,000
2019	710,000
2020	744,000

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

15. Short-Term Borrowing

The Cooperative has a \$13,000,000 line of credit for short-term financing with CFC at an interest rate equal to CFC line of credit interest rate in effect at time of borrowing. The Cooperative also has a \$10,000,000 revolving line of credit for short term financing with CFC and CoBank. At December 31, 2015 the Cooperative had \$0 outstanding under these agreements.

16. Litigation and Commitments

The Cooperative is not involved in litigation which is expected to have an adverse effect on the financial position of the Cooperative.

17. Deferred Credits

Deferred credits consisted of:

	December 31,	
	2015	2014
Advances for Construction	\$ 2,074,205	\$ 2,364,502
Demand Side Management Program	(9,869)	12,228
Renewable Energy Program	407,193	1,358,316
Other	784,383	653,375
	<u>\$ 3,255,912</u>	<u>\$ 4,388,421</u>

Advances for construction represent refundable advances paid by the members. This amount is refunded over ten years based on an agreement with the members. To the extent amounts remain after ten years, these amounts are no longer refundable and are credited to construction work in progress.

ACC Mandated Energy Conservation Programs include Demand Side Management programs and Renewable Energy program designed to use renewable energy such as solar energy. These projects are funded by an ACC approved surcharge on the member's bill and the balance represents the unused portion of the amounts collected.

18. Pension Benefits

Narrative Description

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (the RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Plan Information

The Cooperative's contributions to the RS Plan in 2015 and 2014 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$1,563,991 in 2015 and \$1,395,339 in 2014. There have been no significant changes that affect the comparability of 2015 and 2014 contributions. Pension expense for the years ended December 31, 2015 and 2014, including amortization were \$2,038,629 and \$1,869,977, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2015 and over 80% funded on January 1, 2014 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

RS Plan Prepayment Option

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2014, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using the RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2014. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2014. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experiences different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

Savings Plan

The Cooperative participates in the NRECA Savings Plan, a defined contribution plan. The 401(k) Plan is available to all full time employees. Contributions to the 401(k) Plan by the Cooperative were \$357,677 and \$345,759 for 2015 and 2014, respectively.

19. Related Party Transaction

The Cooperative purchases a portion of its power from Arizona Electric Power Cooperative, of which it is a member and is represented on the Board of Directors. Power is purchased according to the contract currently in force.

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

20. Disclosures About Fair Value of Financial Statements

Many of the Cooperative's financial instruments lack an available market with similar terms, conditions, and maturities as those reflected in the carrying amount recorded. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

Estimated Fair Value has been determined by calculating the present value of financial instruments using the best data available.

Fair Value for some amounts carried on the financial statements has not been calculated for the following reasons:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations are not considered financial instruments.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period. Relevant information with respect to these are as follows:

	Amount	Rate	Maturity
\$	176,811	5.00%	2070
	215,823	5.00%	2075
	412,463	5.00%	2080
	59,300	3.00%	2020
	58,300	3.00%	2025
	75,450	3.00%	2030
	118,895	0.00%	2021 to 2032

Temporary Investments – The recorded book value approximates fair value given the short period to maturity.

The estimated fair value of the Cooperative's financial instruments is as follows:

	Carrying Value	Fair Value
RUS	\$ 14,289,305	\$ 14,065,318
FFB	52,798,256	38,700,134
CFC	30,129,079	28,388,854
CoBank	22,903,291	19,305,456
	<u>\$ 120,119,931</u>	<u>\$ 100,459,762</u>

Long-Term Debt – The fair value of the Cooperative's fixed rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt re-pricing at the same maturity as the current debt.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

Long-Term Debt valuations are considered Level 2.

21. Subsequent Events

The Cooperative has evaluated subsequent events through March 11, 2016, the date which the financial statements were available to be issued.

The Cooperative submitted a rate application for an increase in rates by approximately \$2,182,076 or approximately 2.49% over the adjusted test year to go into effect no later than January 1, 2017.

22. Contingencies

On August 3, 2015, the U.S. Environmental Protection Agency ("EPA") adopted final Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, (the "Clean Power Plan") through Section 111(d) of the Clean Air Act. The Clean Power Plan seeks to reduce carbon emissions by 32.0% nationwide by 2030. In order to achieve that objective, the proposed Clean Power Plan assigns each state an individual carbon reduction target, based on national uniform "emission performance rate" standards (pounds of CO₂ per MWh), and each state's unique generation mix. Arizona's assigned target is a 34.0% reduction. On February 9, 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan pending review of the rule at the U.S. Court of Appeals for the District of Columbia Circuit.

The rule, if upheld, will likely impact Arizona Electric Power Cooperative's (AEP CO's) generating units at Apache Station. Potential impacts could include the need for additional pollution control measures, the addition of new compliant generating resources, decommissioning one or more existing generating units or any combination of the foregoing. Trico could financially be impacted due to Trico's Partial Requirements Capacity and Energy Agreement with AEP CO. Under that agreement, Trico has a 21.1% interest in the output of, and expenses associated with, those generating units. Trico could potentially be responsible for a proportionate percentage of outstanding loans and remaining uncollected decommissioning costs of any retired units. In addition, Trico would potentially need to replace capacity associated with its percentage ownership of decommissioned AEP CO generating

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

units, which would likely be at a higher cost to Trico. The Arizona electric utilities are working with the Arizona Department of Environmental Quality and other interested parties to develop a State compliance plan for the rules. The financial impact to Trico cannot be fully determined until a final compliance plan is adopted for Arizona following the resolution of a number of complex legal and technical issues.

Lost Fixed Cost Revenues

On October 23, 2015, the Cooperative filed a rate case with the Arizona Corporation Commission (ACC) seeking, among other things, to recover fixed generation and grid costs which are lost as a result of the net metering of distributed generation by Trico members. Trico's current rate structure recovers a significant amount of its fixed cost through the kWh energy rate charged to its members. The resulting lost fixed costs must be allocated through the Power Cost Adjuster to non-net metering members, i.e., those without distributed generation systems, or recovered in rates through additional rate cases. As of year-end 2015, lost fixed costs associated with distributed generation in Trico's service territory were estimated to be in excess of \$1.2 million annually. Lost fixed costs have continued to escalate, primarily as a result of accelerated marketing of leased rooftop solar photovoltaic systems within Trico's service territory. If the Cooperative is unable to obtain adequate relief from the issue, it is anticipated that lost fixed costs associated with net metering will continue to escalate, and will ultimately result in a material adverse impact to the Cooperative.

ACCOMPANYING INFORMATION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

We have audited the financial statements of Trico Electric Cooperative, Inc. as of and for the year ended December 31, 2015 and 2014, and our report thereon dated March 11, 2016, which expressed an unqualified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules of electric plant, accumulated provision for depreciation and amortization, other property and investments, patronage capital, mortgage notes, administrative and general expenses, and five year comparative data are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 11, 2016

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Intangible Plant				
Organization	\$ 1,180	\$	\$	\$ 1,180
Other Production Plant				
Land and Land Rights	\$ 32,631	\$	\$	\$ 32,631
Power Plant Equipment	233,216	5,903		239,119
Total	\$ 265,847	\$ 5,903	\$ 0	\$ 271,750
Transmission Plant				
Land and Land Rights	\$ 532,578	\$	\$	\$ 532,578
Station Equipment	119,354			119,354
Poles and Fixtures	1,649,438			1,649,438
Overhead Conductors and Devices	1,138,636			1,138,636
Total	\$ 3,440,006	\$ 0	\$ 0	\$ 3,440,006
Distribution Plant				
Land and Land Rights	\$ 101,005	\$	\$	\$ 101,005
Station Equipment	15,638,658	167,516		15,806,174
Poles, Towers, and Fixtures	25,948,494	1,643,138	306,835	27,284,797
Overhead Conductors and Devices	25,760,799	493,323	212,882	26,041,240
Underground Conduit	5,823,427	1,077,792	447	6,900,772
Underground Conductors and Devices	82,282,442	2,572,753	429,121	84,426,074
Line Transformers	27,014,136	156,381	91,462	27,079,055
Services	7,361,685	26,332	1,426	7,386,591
Meters	11,907,173	1,361,094	431,602	12,836,665
Installations on Consumers' Premises	328,549	4,156	3,574	329,131
Street Lights	1,561			1,561
Total	\$ 202,167,929	\$ 7,502,485	\$ 1,477,349	\$ 208,193,065
General Plant				
Land and Land Rights	\$ 734,514	\$	\$	\$ 734,514
Structures and Improvements	10,765,059	70,024		10,835,083
Office Furniture and Equipment	1,600,779	92,413	34,583	1,658,609
Transportation Equipment	5,985,727	661,941	414,223	6,233,445
Store Equipment	377,529	9,068		386,597
Tools, Shop, and Garage Equipment	696,188	40,714	15,980	720,922
Laboratory Equipment	1,057,434	67,784		1,125,218
Power Operated Equipment	876,147	64,839		940,986
Communication Equipment	506,810	66,700	48,749	524,761
Miscellaneous Equipment	184,871	5,049		189,920
Total	\$ 22,785,058	\$ 1,078,532	\$ 513,535	\$ 23,350,055
Total Classified Electric Plant in Service	\$ 228,660,020	\$ 8,586,920	\$ 1,990,884	\$ 235,256,056
Electric Plant Held for Future Use	166,341			166,341
Construction Work in Progress	5,223,645	2,262,006		7,485,651
Total Utility Plant	\$ 234,050,006	\$ 10,848,926	\$ 1,990,884	\$ 242,908,048

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Balance 1/1/2015</u>	<u>Depreciation Accruals</u>	<u>Retirements</u>	<u>Balance 12/31/2015</u>
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Other Production Plant	\$ <u>35,720</u>	\$ <u>12,002</u>	\$ <u> </u>	\$ <u>47,722</u>
Transmission Plant	\$ <u>1,175,434</u>	\$ <u>79,966</u>	\$ <u> </u>	\$ <u>1,255,400</u>
Distribution Plant	\$ <u>57,575,500</u>	\$ <u>6,087,625</u>	\$ <u>1,371,869</u>	\$ <u>62,291,256</u>
General Plant	\$ <u>9,910,086</u>	\$ <u>1,067,092</u>	\$ <u>451,124</u>	\$ <u>10,526,054</u>
Total Classified Electric Plant in Service	\$ <u>68,696,740</u>	\$ <u>7,246,685</u>	\$ <u>1,822,993</u>	\$ <u>74,120,432</u>
Retirement Work in Progress	<u>(42,601)</u>	<u> </u>	<u>396,606</u>	<u>(439,207)</u>
Total	\$ <u><u>68,654,139</u></u>	\$ <u><u>7,246,685</u></u>	\$ <u><u>2,219,599</u></u>	\$ <u><u>73,681,225</u></u>

(1)

(2)

(1) Charged to Depreciation Expense
Charged to Clearing and Other Accounts

\$ 6,702,381
544,304

\$ 7,246,685

(2) Cost of Units Retired
Add: Cost of Removal
Less: Salvage and Other Credits

\$ 1,990,884
488,988
260,273

\$ 2,219,599

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2015 AND 2014

	December 31,	
	2015	2014
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
National Rural Electric Cooperative Association	10	10
National Information Systems Cooperative	25	25
Grand Canyon State Electric	100	100
National Cooperative Service Corporation	100	100
National Rural Telecommunications Cooperative	1,000	1,000
Southwest Transmission Cooperative	100	100
CoBank	1,000	1,000
Patronage Capital		
Arizona Electric Power Cooperative, Inc.	30,639,065	29,216,392
Southwest Transmission Cooperative	7,027,673	5,987,075
National Rural Utilities Cooperative Finance Corporation	623,584	561,549
National Information Systems Cooperative	196,304	180,274
National Rural Telecommunications Cooperative	24,317	25,688
CoBank	139,207	79,789
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	1,117,042	1,124,547
Capital Stock		
Federated Rural Electric Insurance Corporation - Preferred E Stock	245,189	211,374
Statewide Organizations		
Grand Canyon State Electric Building Fund	151,717	154,207
Total Investments in Associated Organizations	\$ 40,167,433	\$ 37,544,230
OTHER INVESTMENTS		
Cash Value Annuities	\$ 50,797	\$ 76,438
State Compensation Deposit	17,316	14,478
Other	8,000	8,000
	\$ 76,113	\$ 98,916
Total Other Property and Investments	\$ 40,243,546	\$ 37,643,146

TEMPORARY INVESTMENTS

AEPCO Note Participation Program	\$ 2,500,000	\$ 2,000,000
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TRICO ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL
DECEMBER 31, 2015

<u>Calendar Year</u>	<u>Assignable</u>	<u>Assigned</u>	<u>Balance</u>
1991	\$	\$ 98,472	\$ 98,472
1992		451,955	451,955
1993		769,721	769,721
1994		447,102	447,102
1995		1,073,185	1,073,185
1996		796,141	796,141
1997		656,698	656,698
1998		1,737,432	1,737,432
1999		2,081,151	2,081,151
2000		2,097,082	2,097,082
2001		3,369,350	3,369,350
2002		3,660,883	3,660,883
2003		2,260,755	2,260,755
2004		829,975	829,975
2005		1,535,178	1,535,178
2006		2,966,033	2,966,033
2007		2,462,165	2,462,165
2008		5,986,525	5,986,525
2009		7,801,141	7,801,141
2010		5,897,563	5,897,563
2011		6,815,237	6,815,237
2012		7,980,584	7,980,584
2013		9,062,983	9,062,983
2014		9,938,190	9,938,190
2015	<u>10,316,426</u>		<u>10,316,426</u>
	\$ <u><u>10,316,426</u></u>	\$ <u><u>80,775,501</u></u>	\$ <u><u>91,091,927</u></u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 5

MORTGAGE NOTES
DECEMBER 31, 2015

RUS Mortgage Notes

Note Number	Date of Note	Interest Rate	Principal Amount	Deferred Interest	Amount Unadvanced	Principal Repayments	Net Obligation
Notes Paid in Full			\$ 50,970,986	\$	\$	\$ 50,970,986	\$
1B290	03-25-86	5.000%	1,562,000			1,132,061	429,939
1B292	03-25-86	5.000%	1,562,000			1,132,061	429,939
1B300	08-25-89	5.000%	2,933,500			1,682,128	1,251,372
1B302	08-25-89	5.000%	2,933,500			1,682,128	1,251,372
1B310	09-22-92	5.000%	2,698,000			1,234,403	1,463,597
1B315	09-22-92	5.000%	2,698,000			1,234,403	1,463,597
1B320	10-25-94	5.750%	1,966,000			710,528	1,255,472
1B325	10-25-94	5.500%	1,966,000			721,688	1,244,312
1B330	07-01-97	5.120%	3,955,000			1,188,324	2,766,676
1B335	07-01-97	4.620%	3,695,000			1,150,750	2,544,250
1B336	03-01-01	5.500%	260,000			71,222	188,778
Cushion of Credit							(2,500,000)
Total RUS			\$ 77,199,986	\$ 0	\$ 0	\$ 62,910,682	\$ 11,789,304

FFB Mortgage Notes

H0010	10-20-08	4.360%	\$ 2,000,000	\$	\$	\$ 173,830	\$ 1,826,170
H0015	11-21-08	3.623%	1,000,000			98,302	901,698
H0020	3-23-09	3.499%	1,500,000			150,478	1,349,522
H0025	5-19-09	4.004%	2,500,000			230,718	2,269,282
H0030	7-17-09	4.283%	1,500,000			132,085	1,367,915
H0035	7-22-11	3.638%	15,000,000			1,668,078	13,331,922
H0040	9-1-11	3.119%	3,000,000			251,247	2,748,753
H0045	11-10-11	2.558%	10,000,000			1,032,321	8,967,679
H0050	11-16-12	2.100%	5,000,000			431,693	4,568,307
H0055	1-22-13	2.406%	3,000,000			230,265	2,769,735
H0060	6-17-13	1.449%	4,500,000			1,062,788	3,437,212
H0065	11-26-13	3.249%	1,350,000			69,398	1,280,602
H0070	2-27-14	3.088%	2,700,000			125,113	2,574,887
H0075	3-9-15	2.541%	2,600,000			44,806	2,555,194
H0080	3-10-15	2.496%	2,900,000			50,620	2,849,380
Total FFB			\$ 58,550,000	\$ 0	\$ 0	\$ 5,751,742	\$ 52,798,258

CFC Mortgage Notes

9017	12-31-85	6.180%	\$ 1,380,412	\$	\$	\$ 965,912	\$ 414,500
9018	06-30-89	6.220%	2,618,750			1,393,558	1,225,192
9019	09-22-92	6.260%	2,409,375			1,088,987	1,320,388
9020	10-25-94	6.260%	1,685,000			598,270	1,086,730
9021	07-01-97	6.250%	3,390,000			916,516	2,473,484
9026	08-23-12	2.60%-4.40%	25,245,000			1,636,215	23,608,785
Total CFC			\$ 36,728,537	\$ 0	\$ 0	\$ 6,599,458	\$ 30,129,079

CoBank Mortgage Notes

R11064T01	8-23-12	4.220%	\$ 24,690,777	\$	\$	\$ 1,787,486	\$ 22,903,291
Total CoBank			\$ 24,690,777	\$ 0	\$ 0	\$ 1,787,486	\$ 22,903,291

Net obligations include \$938,000 for RUS, \$1,849,000 for FFB, \$950,000 for CFC and \$608,000 for CoBank that are reclassified to current liabilities on the Balance Sheet.

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31,		Increase
	2015	2014	(Decrease)
Administrative and General Salaries	\$ 2,292,004	\$ 2,243,443	\$ 48,561
Office Supplies and Expense	727,669	726,185	1,484
Outside Services Employed	317,678	446,917	(129,239)
Injuries and Damages	308,566	345,813	(37,247)
Employee Pensions and Benefits	142,062	150,267	(8,205)
Annual Meeting	27,425	17,104	10,321
Miscellaneous and General Expense	634,723	663,448	(28,725)
Regulatory Commission Expense	180,834	161,483	19,351
Maintenance of General Plant	653,645	569,801	83,844
	<u>\$ 5,284,606</u>	<u>\$ 5,324,461</u>	<u>\$ (39,855)</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 7

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31,				
	2015	2014	2013	2012	2011
OPERATING REVENUES					
Residential	\$ 55,828,866	\$ 58,178,607	\$ 58,461,099	\$ 51,963,391	\$ 58,470,799
Irrigation	71,581	96,998	90,141	80,696	107,425
Commercial and Industrial	27,435,117	28,606,294	27,161,622	24,175,244	28,270,520
Public Buildings and Other Authorities	99,899	99,755	90,610	83,204	90,048
Sales for Resale	56,802	132,075	91,713	60,710	116,241
(Over) Under Billed Power Cost	431,672	(1,556,638)	(315,378)	522,782	(716,703)
Rent from Electric Property	336,583	377,396	281,290	209,744	291,082
Other Operating Revenues	1,226,322	1,221,200	1,222,161	1,320,311	1,204,244
Total Operating Revenues	<u>\$ 85,486,842</u>	<u>\$ 87,155,687</u>	<u>\$ 87,083,258</u>	<u>\$ 78,416,082</u>	<u>\$ 87,833,656</u>
OPERATING EXPENSES					
Purchased Power	\$ 49,708,573	\$ 51,586,301	\$ 51,905,264	\$ 43,889,936	\$ 53,904,573
Transmission	41,544	88,924	46,500	49,138	45,713
Distribution - Operation	6,359,152	8,200,654	7,676,895	6,658,911	6,558,259
Distribution - Maintenance	1,907,758	1,760,940	1,769,325	1,666,986	1,643,551
Customer Accounts	2,489,827	2,431,189	2,580,889	2,727,348	2,669,470
Customer Service and Information	690,420	654,351	686,057	652,673	757,246
Administrative and General	5,284,606	5,324,461	5,009,458	4,829,979	5,026,377
Depreciation and Amortization	6,702,381	6,559,506	6,503,111	6,507,489	6,383,401
Taxes	(8)	3	(38)	2,664	(113)
Other Interest	2,376	2,364	3,182	2,958	31,490
Other Deductions	570,541	966,264	205,320	383,017	891,065
Total Operating Expenses	<u>\$ 73,757,170</u>	<u>\$ 77,574,957</u>	<u>\$ 76,385,963</u>	<u>\$ 67,371,099</u>	<u>\$ 77,911,032</u>
OPERATING MARGINS - Before Fixed Charges	<u>\$ 11,729,672</u>	<u>\$ 9,580,730</u>	<u>\$ 10,697,295</u>	<u>\$ 11,044,983</u>	<u>\$ 9,922,624</u>
FIXED CHARGES					
Interest on Long-Term Debt	<u>4,798,958</u>	<u>4,966,587</u>	<u>5,154,823</u>	<u>5,713,480</u>	<u>6,281,573</u>
OPERATING MARGINS - After Fixed Charges	<u>\$ 6,930,714</u>	<u>\$ 4,614,143</u>	<u>\$ 5,542,472</u>	<u>\$ 5,331,503</u>	<u>\$ 3,641,051</u>
Other Capital Credits	<u>3,100,969</u>	<u>5,017,623</u>	<u>3,304,655</u>	<u>2,026,384</u>	<u>3,061,081</u>
NET OPERATING MARGINS	<u>\$ 10,031,683</u>	<u>\$ 9,631,766</u>	<u>\$ 8,847,127</u>	<u>\$ 7,357,887</u>	<u>\$ 6,702,132</u>
NONOPERATING MARGINS					
Interest Income	\$ 209,122	\$ 198,591	\$ 163,339	\$ 121,311	\$ 78,572
Other Nonoperating Income	75,621	114,633	80,069	563,801	121,444
	<u>\$ 284,743</u>	<u>\$ 313,224</u>	<u>\$ 243,408</u>	<u>\$ 685,112</u>	<u>\$ 200,016</u>
NET MARGINS	<u>\$ 10,316,426</u>	<u>\$ 9,944,990</u>	<u>\$ 9,090,535</u>	<u>\$ 8,042,999</u>	<u>\$ 6,902,148</u>
Miscellaneous Statistics					
# Receiving Service - At End of Year	47,206	46,322	45,493	41,239	40,254
MWH Sales	683,418	671,749	662,065	661,213	647,788
Times Interest Earned Ratio	3.15	3.00	2.76	2.41	2.10
Debt Service Coverage	2.38	2.34	2.29	2.23	1.88
Equity to Total Assets	42.57	39.75	36.63	34.64	31.89
Equity to Total Capitalization	45.45	42.87	40.35	38.07	34.67

COMPLIANCE AND INTERNAL CONTROL

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

Independent Auditor's Report

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trico Electric Cooperative, Inc. (Trico) which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of revenue and patronage capital, changes in cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2016. In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, on our consideration of Trico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Trico failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Trico's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Trico's accounting and records to indicate that Trico did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements. In accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the Board of Directors, management, RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bolinger, Segars, Gilbert & Mass LLP

Certified Public Accountants

Lubbock, Texas

March 11, 2016

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trico Electric Cooperative Inc. as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Trico Electric Cooperative Inc. basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trico Electric Cooperative Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trico Electric Cooperative Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Trico Electric Cooperative Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trico Electric Cooperative Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 11, 2016